

VZCZCXRO3105
PP RUEHFK RUEHKSO RUEHNAG RUEHNH
DE RUEHKO #2978/01 2980825
ZNR UUUUU ZZH
P 240825Z OCT 08
FM AMEMBASSY TOKYO
TO RUEHC/SECSTATE WASHDC PRIORITY 8248
INFO RUEKJCS/SECDEF WASHDC PRIORITY
RHEHAAA/THE WHITE HOUSE WASHINGTON DC PRIORITY
RUEAWJA/USDOJ WASHDC PRIORITY
RULSDMK/USDOT WASHDC PRIORITY
RUCPDOG/USDOC WASHDC PRIORITY
RUEAIIA/CIA WASHDC PRIORITY
RUEKJCS/JOINT STAFF WASHDC//J5//
RHHMUNA/HQ USPACOM HONOLULU HI
RHHMHBA/COMPACFLT PEARL HARBOR HI
RHMFIUU/HQ PACAF HICKAM AFB HI//CC/PA//
RHMFIUU/USFJ //J5/JO21//
RUYNAAAC/COMNAVFORJAPAN YOKOSUKA JA
RUAYJAA/CTF 72
RUEHNH/AMCONSUL NAHA 2938
RUEHFK/AMCONSUL FUKUOKA 0579
RUEHOK/AMCONSUL OSAKA KOBE 4362
RUEHNAG/AMCONSUL NAGOYA 8649
RUEHKSO/AMCONSUL SAPPORO 1152
RUEHBJ/AMEMBASSY BEIJING 6014
RUEHUL/AMEMBASSY SEOUL 2012
RUCNDT/USMISSION USUN NEW YORK 2246

UNCLAS SECTION 01 OF 13 TOKYO 002978

SIPDIS

DEPT FOR E, P, EB, EAP/J, EAP/P, EAP/PD, PA;
WHITE HOUSE/NSC/NEC; JUSTICE FOR STU CHEMTOB IN ANTI-TRUST DIVISION;
TREASURY/OASIA/IMI/JAPAN; DEPT PASS USTR/PUBLIC AFFAIRS OFFICE;
SECDEF FOR JCS-J-5/JAPAN,
DASD/ISA/EAPR/JAPAN; DEPT PASS ELECTRONICALLY TO USDA
FAS/ITP FOR SCHROETER; PACOM HONOLULU FOR PUBLIC DIPLOMACY ADVISOR;
CINCPAC FLT/PA/ COMNAVFORJAPAN/PA.

E.O. 12958: N/A

TAGS: [OIIP](#) [KMDR](#) [KPAO](#) [PGOV](#) [PINR](#) [ECON](#) [ELAB](#) [JA](#)

SUBJECT: DAILY SUMMARY OF JAPANESE PRESS 10/24/08

INDEX:

- (1) Prime Minister Aso meets with Chinese leaders: Japan-China hotline to be reopened (Mainichi)
- (2) Prime minister instructs ruling parties to study raising consumption tax after economy recovers (Asahi)
- (3) With eye on general election, Aso posits consumption tax hike, aiming at displaying leadership, as well as to underscore difference from DPJ (Asahi)
- (4) New Komeito keeps silence, while concealing its real desire for early Lower House dissolution for sake of campaign cooperation (Asahi)
- (5) North Korea, aiming at obtaining energy aid after delisting, takes hard-line stance toward Japan for not paying its share (Sankei)
- (6) Japan-India nuclear cooperation: Dialogue needed for nuclear nonproliferation (Asahi)
- (7) NPT at greater risk due to U.S.-India nuclear agreement; Japan must take initiative in nuclear nonproliferation (Mainichi)
- (8) TOP HEADLINES
- (9) EDITORIALS
- (10) Prime Minister's schedule, October 23 (Nikkei)

ARTICLES:

(1) Prime Minister Aso meets with Chinese leaders: Japan-China hotline to be reopened

Mainichi Online (Full)
13:16. October 24, 2008

Beijing, Reporter Tamotsu Takatsuka

Prime Minister Taro Aso, who is now visiting China to attend the Asia-Europe Meeting (ASEM), on the morning of October 24 separately met with President Hu Jintao and Premier Wen Jiabao at the Great Hall of the People for about 30 minutes each. This is the first time for him to meet with both leaders. They agreed to reopen the hotline between the two countries. Leaders of the two countries vowed to continue to develop mutually beneficial strategic relationship with the aim of building the relationship of trust. They also exchanged views on the financial and economic situations, as well as signed a Japan-China Consular Agreement designed to improve the protection of the citizens of both countries.

This is the fourth bilateral summit with Hu Jintao and second with Wen Jiabao this year, if those held during the previous Yasuo Fukuda administration are included. Aso took the stance of stressing the close relationship between the two countries.

During his meeting with Hu, Aso called for building a relationship of trust in which the presence of the leaders of the two countries would be prominent. The reopening of the hotline is expected to

TOKYO 00002978 002 OF 013

enable the leaders of the two countries to be in immediate and close contact, according to a Foreign Ministry source. The hotline between the two countries was established when then Premier Zhu Rongji visited Japan in October 2000. However, with bilateral relations deteriorating due to former Prime Minister Junichiro Koizumi's visits to Yasukuni Shrine, it was hardly ever used.

Aso sought countermeasures from the Chinese side regarding the incident of poisoned frozen gyoza dumplings made in China, by conveying to him Japan's domestic views about food safety.

He also brought up the North Korea issue and confirmed cooperation between the two countries at six-party talks for the denuclearization of that country. He asked for cooperation from the Chinese side for the settlement of the abduction issue as well.

In the meeting with Wen, the two leaders signed a Japan-China Consular Agreement, which is designed to improve the protection of the citizens of each country, including the event that citizens are detained in the other country, the concerned country is obligated to notify the consular office of the incident within four days. They also exchanged a paper ratifying a Japan-China Treaty on Cooperation on Criminal Matters, which enables investigative officials of the two countries to exchange information without using a diplomatic channel.

Aso gave a speech at a ceremony commemorating the 30th anniversary of the Japan-China Peace and Amity Treaty held on the afternoon of the same day. He stressed that common benefit is important both for Japan and China. Regarding the history issue, he stressed that modestly looking back on the past and building the future together is the responsibility of the present generation in preparation for the next generation.

At the outset of the talks, Wen said, "Your attendance at ASEM is the manifestation of your attaching importance to cooperation between Asia and Europe, and between Japan and China. We welcome your visit to China from the bottom of our hearts." Aso replied, "Thank you for your welcoming me. I would like to congratulate you on the success of the Beijing Olympics."

(2) Prime minister instructs ruling parties to study raising consumption tax after economy recovers

ASAHI (Top Play) (Full)
October 24, 2008

In compiling a new economic stimulus package, Prime Minister Aso instructed the LDP and the New Komeito to look into a mid-term program for securing stable fiscal resources to finance social security measures. He gave this order with a hike in the consumption tax after the recovery of the economy in mind. In the meantime, as a measure for regional areas, he also ordered them to consider the largest-ever housing loan tax break, by allocating approximately 1 trillion yen to them from special road-construction funds. He thus indicated a stance of doing his utmost to shore up the economy over the short term.

The prime minister appears to aim to clarify differences in campaign pledges with the DPJ, by putting up economic stimulus measures as one of the commitments for the upcoming general election.

TOKYO 00002978 003 OF 013

He on the 23rd met with LDP Secretary General Kosuke Hori, his New Komeito counterpart Natsuo Yamaguchi, and others at the Kantei. The two secretaries general briefed him on the ruling parties' plan for the new economic stimulus package, which includes an increase in highway tolls and a fixed-rate tax cut.

The prime minister ordered them to include the following four items in the package: 1) compiling a mid-term tax system program for a future hike in the consumption tax; 2) allocating approximately 1 trillion yen to local governments; 3) implementing the largest-ever housing loan tax cut; and 4) reducing the tax burden, by expanding areas eligible for depreciation regarding investment for energy saving and new energies.

The government and the ruling parties will formally decide on the size of the budget and funding resources on the 30th, after readjusting the new economic stimulus package. The prime minister will release the final plan at a press conference the same day.

After the talks the prime minister said, "Nobody would consider hiking the consumption tax when the economy is rapidly losing steam." He also told reporters, "It is clear that when the economy has recovered over the mid-term, fiscal resources to finance social welfare-related areas, such as nursing care and welfare, will be running short. In that sense, it is likely that a hike in the consumption tax will be considered." The prime minister thinks that it will take three years for the Japanese economy to recover. He thus apparently indicated his intention to consider raising the consumption tax after putting the economy on a recovery track in three years' time.

According to one participant, the prime minister categorically said to ruling-party members, "It is not until the economy recovers that conditions for a tax hike are met. The consumption tax will serve as a stable funding resource. I must make it clear that I will raise the consumption tax when conditions are met." He thus reportedly instructed the ruling parties to consider mentioning a road map for tax system reform, including the consumption tax, in the mid-term program.

The DPJ is keeping mum about the consumption tax. It appears that another aim of Aso is to highlight differences with the DPJ by referring to a consumption tax hike, thereby indicating a stance of the LDP, which is tackling tax code reform as a responsible party.

In the meantime, Aso ordered participants to expand the scale of the housing loan tax break from the current maximum 1.6 million yen deduction from taxable income to the largest-ever amount. The largest-ever deduction of 5.875 million yen was implemented in 1999 and 2000.

Regarding measures to shore up regional areas, the prime minister reportedly said, "Use special-purpose road construction funds. They can be used without restrictions, if they are reallocated for other uses. I will give 1 trillion yen to local governments. If they want to build roads, they can do so."

Concerning a hike in highway tolls, Aso said, "The DPJ said that they would make expressways toll-free." He then told participants to consider far-reaching measures in preparation for the upcoming election. The government and the ruling parties agreed to implement a time-limited cut in the corporate tax rate targeting small- and

TOKYO 00002978 004 OF 013

medium-size businesses.

(3) With eye on general election, Aso posits consumption tax hike, aiming at displaying leadership, as well as to underscore difference from DPJ

ASAHI (Page 2) (Full)
October 24, 2008

Prime Minister Aso, who predicts that the Japanese economy would require three years to reach a state of recovery, said yesterday that the government would raise the consumption tax in the future. Aso ventured to step into the "taboo" area of lawmakers by talking about a consumption tax hike before a general election. He apparently wants to underscore the differences in his policy stance from that of the Democratic Party of Japan (DPJ). He is also aiming to impress people with his leadership in having the government and the ruling coalition lay out a new package of economic stimulus measures by the end of this month.

In meeting with Liberal Democratic Party (LDP) Policy Research Council Chairman Kosuke Hori, New Komeito Policy Research Council Chairman Natsuo Yamaguchi, and others at the Prime Minister's Office last evening, Prime Minister Aso said: "If we fail to announce the revenue sources, our stance will be the same as the DPJ's."

Although Aso had indicated that he would not hike the consumption tax for three years in line with his policy of giving priority to first boosting the economy, he asked senior LDP members to draw up a plan to raise the tax in the future. His prediction of three years to bring about a recovery indicates that the "seal" could be removed three years from now.

Lawmakers hesitate to take up the issue of raising the taxes before a general election. Former Prime Minister Fukuda once voiced eagerness to raise the consumption tax just after assuming office, but he sidestepped the issue in the end, saying: "We will consider the possibility, with a span of two to three years in mind." Aso, however, is aiming to lay the groundwork for Lower House dissolution by highlighting the main point at issue with the DPJ.

The DPJ's policy pledges include a 26,000 yen monthly child-rearing allowance, state subsidies for individual farm households, and other costly measures. Prime Minister Aso has criticized the main opposition party since the LDP presidential election campaign, saying: "Calculated roughly, 17-20 trillion yen will be needed to implement its pledges, but the DPJ has yet to explain where the fiscal resources will come from."

In a policy speech on Sept. 29, Aso unprecedentedly posed questions to the DPJ about fiscal resources to realize its policy pledges, but DPJ President Ozawa said the party would completely restructure the government's fiscal management structure. The exchange of words between them went nowhere.

The new economic package due out later this month includes a number of pork-barrel-nature tax-cut measures, such as flat-sum tax cuts and a reduction of taxes on home mortgages. The government plans to finance these measures with reserve funds for the time being. But if it can announce specifics on where the necessary revenues would come from, the package will become more acceptable to people. With the difference stressed between the LDP and the DPJ over the issue of

TOKYO 00002978 005 OF 013

fiscal resources, the way will be paved for the Lower House election.

In accordance with this calculation, the government appointed National Conference on Social Security Chairman Hiroshi Yoshikawa as a private-sector member of the Council on Economic and Fiscal Policy early this month. A close aide to the prime minister said: "We tapped him in anticipation of his playing a mediatory role between the economic panel and the social security panel."

The social security panel announced estimated medical and care costs, as well as the case of introducing a system of using tax revenues to pay basic pension benefits. To cover these expenses, it would become necessary to hike the consumption tax to a level as high as 20 PERCENT . An aide to the prime minister said: "Discussion of fiscal resources should be conducted in the social security council, and the economic panel should come up with a plan for consumption tax hike."

The theme of discussion in the first meeting on Oct. 17 of the economic panel after Prime Minister Aso assumed office was how to reform the social security system, the tax system, and the fiscal system simultaneously. In this meeting, Aso made this statement: "When asked about the fiscal resources for our economic stimulus measures, we must properly explain where the revenues would come from. Our party, as the governing party, must prepare itself to be able to do so."

Citing in this meeting the results of the opinion poll conducted in 2001, when he was LDP Policy Research Council chairman, Aso said: "Some 50 PERCENT of respondents said that it would be unavoidable to raise the consumption tax to 10 PERCENT to finance social security and pension payments." He showed that the public can be expected to show understanding about a consumption tax hike to pay social security outlays.

Even so, the consumption tax rate has stayed at 5 PERCENT since 1997. The focus of attention is on whether Aso would be able to step into this difficult challenge, an area in which even the former popular prime minister, Junichiro Koizumi, refrained from setting foot. An aide to Aso said: "I think there is no other lawmaker than Prime Minister Aso who can raise the consumption tax. He can be expected just before the general election to come up with a policy leading to raising the consumption tax."

(4) New Komeito keeps silence, while concealing its real desire for early Lower House dissolution for sake of campaign cooperation

ASAHI (Page 4) (Abridged slightly)
October 24, 2008

By Hisashi Ishimatsu, Hiroshi Samejima

Prime Minister Taro Aso has been unable to determine when to dissolve the Lower House, while the New Komeito, which has loudly called for early dissolution of the chamber, is now quiet. The party, though irritated with the prime minister's indecisiveness, cannot afford to suggest a departure from the ruling coalition. As such, the New Komeito seems to have no other option but to wait patiently for the prime minister's decision, believing that he will dissolve the chamber at the end of October.

TOKYO 00002978 006 OF 013

The New Komeito held an executive meeting on Oct. 23. In the session, the members confirmed the maintenance of the party's campaign setup for the envisioned election on Nov. 30. The voice of Secretary General Kazuo Kitagawa, who regards himself as Prime Minister Aso's close friend, was constrained. He simply said: "The LDP is split over whether to dissolve the Lower House."

The New Komeito still pins hopes on Lower House dissolution at the end of October when additional economic measures would be put together and the refueling assistance legislation is expected to clear the Diet. The New Komeito relies heavily on its local chapters and its support organizations and requires a long period of time making preparations for an election. To such a party, it is difficult to take the heat out of its organizations that are in high

gears for an election, and once they geared down, it is even more difficult to heat them up again. The party's powerful support organization, Soka Gakkai, too, thinks early dissolution provides a chance of victory, with a senior member saying, "The cabinet's support rates are somewhat low, but we still can turn the tables with thorough preparations."

The party eyes a flat-sum tax cut as a showcase step, but there is no guarantee that it can win a huge tax cut to satisfy low- and middle-income earners, the party's core supporters, in the year-end tax reform discussion. New Komeito Representative Akihiro Ota thinks his party should assert that there will be no fixed-amount tax cut unless the New Komeito wins the next election.

To begin with, it was the New Komeito that opened the door to Lower House dissolution for a snap general election. Former Prime Minister Yasuo Fukuda walked off the job because the New Komeito demanded the dissolution. The party pressed Fukuda hard to dissolve the Lower House before the end of the year from its desire to focus on next summer's Tokyo Metropolitan Assembly election.

The party had envisioned replacing Fukuda with the nationally popular Aso as the figurehead of the ruling coalition and holding a general election under him. The plan came true up until the establishment of the Aso administration. Prime Minister Aso gave a nod to the flat-sum tax cut and the Soka Gakkai geared up, assuming that the election would take place in early November. But the cabinet's support ratings remained unexpected low, and the financial crisis also occurred. Given the situation, the prime minister dropped a plan to dissolve the Lower House at the beginning of the current extraordinary Diet session.

The New Komeito pressed former Prime Minister Fukuda hard for dissolving the lower chamber, but it does not show any signs of doing so for Aso now. A loud call for early dissolution in the closing days of the Fukuda administration left ill feelings between the LDP and its coalition partner. Another invasion of the prime minister's right to dissolve the Lower House might harm the relationship between the two parties beyond repair.

A senior New Komeito lawmaker commented: "Even if the prime minister decides to postpone the dissolution, we will have to accept it. We cannot press him by dangling the possibility of dissolving the coalition arrangement. LDP votes are especially vital for Representative Ota and Secretary General Kitagawa who are scheduled to run in single-seat constituencies. As long as the New Komeito cooperates with the LDP in campaigns, the former cannot think of dissolving the coalition. Further, the party cannot find anyone who

TOKYO 00002978 007 OF 013

can replace Prime Minister Aso as the "face" of the LDP-New Komeito administration.

At the same time, Aso's failure to meet the New Komeito's expectations for an early dissolution is likely to result in mistrust in the prime minister. Secretary General Kitagawa, who has served as a go-between, is under heavy pressure from within the party and Soka Gakkai because the prime minister has been slow to determine when to call the next general election. If the major opposition Democratic Party of Japan takes a confrontational stand, calls for Diet testimony by former Komeito Chairman Junta Yano and Soka Gakkai executives might grow louder.

"With a delayed election, we won't be able to assist the LDP because we will be busy just taking care of our own campaigns." There is no guarantee that these words by a New Komeito executive intended to apply pressure on Aso by alluding to an ill effect on campaign cooperation will reach the prime minister.

(5) North Korea, aiming at obtaining energy aid after delisting, takes hard-line stance toward Japan for not paying its share

SANKEI (Page 7) (Full)
October 24, 2008

By Takashi Arimoto in Washington

In connection with the nuclear issue, North Korea is taking a hard-line stance toward Japan's paying its share of energy assistance promised that country. After having achieved its long-time goal of being removed from the U.S. list of states sponsoring terrorism (SST) list, North Korea is now reacting strongly toward the Japanese government for holding back aid unless the abduction issue first makes progress. The DPRK even wants to exclude Japan from the Six-Party Talks on the nuclear issue. A U.S. government-source said the U.S. is trying to solve the problem of Japan not providing energy aid by requesting Australia to supply Japan's share. There is new concern, however, as to how seriously North Korea will now work on the abduction issue.

The Six-Party Agreement in February 2007 stipulated that financial and energy aid equivalent to one million tons of heavy oil would be provided to North Korea in exchange for its declaration of its nuclear program and the disablement of its nuclear facilities. The share of each country is not specifically stated in the agreement, but there is an implicit understanding that five countries would equally share 200,000 tons (equivalent to approximately 16 billion yen) (of heavy oil).

Japan, because of its abduction issue with North Korea, has been saying that it would participate (in providing aid) as soon as possible, once the situation was settled. Prime Minister Taro Aso told President Bush who notified him on the removal of North Korea from the SST list that (Japan) would not participate in the energy aid, since there had been no progress in resolving the abduction issue.

North Korea reacted sharply to this and demanded that Japan should be excluded from the Six-Party Talks. A source in the talks, referring to this reaction, pointed out: "North Korea knows well that the U.S. would never agree to the exclusion of Japan, which would lead to a collapse of the Six-Party Talks. After the country

TOKYO 00002978 008 OF 013

was successfully de-listed from the SST list, North Korea is just taking the offensive for quick practical gains during the term of the Bush administration."

The U.S. understands Japan's "special situation," but it has requested Australia to provide Japan's share to solve the problem of the energy aid. The U.S. is seeking Australia's participation in providing energy aid from the view point of regional security. There is also the fact that Australia has already provided some assistance to North Korea, but the U.S. remains reluctant to change the framework of the Six-Party Talks by adding Australia.

U.S. State Department Spokesman McCormack took an optimistic view about the resolution of the issue by saying that the five countries have strong confidence that they can fulfill their duty (of providing heavy oil as aid). However, one U.S. government source said: "Although we hope Japan-North Korea negotiations will resume before the next round of Six-Party Talks, we are concerned as to how seriously North Korea will engage in them.

(6) Japan-India nuclear cooperation: Dialogue needed for nuclear nonproliferation

ASAHI (Page 11) (Full)
October 24, 2008

Yukifumi Takeuchi, senior writer

The Oct. 22 Japan-India summit did not step into the issue of concluding a nuclear agreement on cooperation in such areas as atomic power generation. However, the United States and India have now reached a nuclear accord, which has now come into effect. In addition, some other countries are also apparently geared up to make market inroads. Meanwhile, it also looks like there will be strong pressure from within Japan's business community. However, a negative impact of nuclear cooperation between the United States and India is already looming. The Japanese government will have to make a difficult decision.

The Nuclear Suppliers Group (NSG), including Japan, has so far taken a 'north wind' policy of embargoing nuclear-related materials to India, which is not a signatory of the Nuclear Nonproliferation Treaty (NPT). India has therefore been falling behind in developing atomic power plants. In September, however, the NSG accepted the option of calling off its embargo on nuclear fuel and reactors to India in the wake of the U.S.-India nuclear deal. "It's a sunshine policy toward India," explains a senior official of the Foreign Ministry.

The International Atomic Energy Agency (IAEA) also endorsed the NSG decision, because the IAEA thought it would be better to inspect at least commercial nuclear facilities and expand the network of supervision for nuclear nonproliferation instead of leaving India outside the nonproliferation regime. Nuclear development is under way in such countries as Iran and Pakistan, so the IAEA thought it would be effective to involve India in order to sew up one tear in the nonproliferation regime.

In addition, given the exhaustion of petroleum and the progress of global warming, the IAEA also thought it would be better to let India build more nuclear power plants instead of having it mass-consume fossil fuels. The United States and some other

TOKYO 00002978 009 OF 013

countries want India to become a power strong enough to vie with China. If India grows into a huge nuclear market, there will be business chances. This is why such countries as France are following the United States.

Japan is the only atomic-bombed nation. The NSG's acceptance itself was therefore a tough choice for Japan. If Japan enters into an agreement with India at this point, such a course of action would face a strong backlash from the public.

However, the government is also beginning to think it would be in the medium- and long-term interests of Japan to conclude an agreement and cooperate with India.

Meanwhile, the sunshine policy is having more repercussions. Pakistan announced in the middle of this month that it had reached an agreement with China on bilateral cooperation on building nuclear power plants. Obviously, this is a response to the U.S.-India deal. Pakistan is not an NPT signatory and was a black-market player.

The NPT Review Conference is scheduled to take place in two years. Ahead of this event, Iran, which is an NPT signatory, would also cry out against that move.

There are some doubts about India as well. Michael Krepon, a U.S. expert on nuclear disarmament and nonproliferation, notes that India's nuclear test in 1998 yielded an insufficient result. Krepon presumes that India would need to conduct another nuclear test. He criticized the U.S.-India nuclear pact, claiming that it remains vague about India resuming nuclear testing. "If Japan is going to push for nuclear cooperation with India," he added, "that should be preconditioned on signing the Comprehensive Nuclear Test Ban Treaty (CTBT)."

Of course, it would be difficult to persuade India to sign the CTBT, which the United States has yet to ratify. However, the United States could change its response to the CTBT if the Democratic Party takes office and calls the shots in Congress. Japan should endeavor to shape international public opinion. At the same time, Japan should try every possible means and tenaciously push ahead with nuclear disarmament and nonproliferation dialogue with India.

(7) NPT at greater risk due to U.S.-India nuclear agreement; Japan must take initiative in nuclear nonproliferation

MAINICHI (Page 4) (Abridged slightly)
October 23, 2008

By Takuji Nakao, Vienna office

A nuclear embargo against India, which has conducted nuclear weapons tests, was lifted last month for the first time in over 30 years. India, which is not a party to the Nuclear Nonproliferation Treaty (NPT), is now allowed to import atomic power technology and nuclear fuel. Given the fact that no questions were raised about its possession of nuclear weapons, this is tantamount to India being recognized as a nuclear power by the international community. I believe the NPT is indeed in crisis. This might end up dampening the motivation of countries making serious efforts in nuclear nonproliferation and making North Korea and Iran -- countries suspected to have nuclear weapons programs -- even more arrogant. As the world's only atomic-bombed country, Japan should play an active

TOKYO 00002978 010 OF 013

role in maintaining the NPT regime.

The latest series of developments was triggered by the United States. In 2005, the United States began talks with India on a bilateral nuclear agreement aimed at nuclear trade with that country. The pact was signed on Oct. 10 and immediately came into effect. Behind the move is the eagerness of American companies to do nuclear business with India. The Bush administration kept pushing the Congress for speedy deliberations in order to ratify the pact before it leaves office in January 2009. As if to vie with the United States, France, too, inked a nuclear pact with India last month. Russia is also conducting talks with India.

To the United States, the largest obstacle was the Nuclear Suppliers Group (NSG, with a membership of 45 countries, including Japan) that regulates nuclear exports. Established in response to a nuclear test carried out by India in 1974, the NSG is a framework that regulates nuclear trade in order to prevent nuclear proliferation. NSG members met in September in Vienna. Their discussion on the second day of the meeting lasted until 2 o'clock in the morning, an unusual case.

In the session, such countries as Australia and New Zealand demanded India's assurance that it would not conduct nuclear tests. Calling representatives of countries opposing (an NSG waiver) into a separate room, the United States pressed them, asking, "Should India, a country with a population of 1 billion, be left as is?" The countries cautious about such a decision were steamrollered by the United States, and Japan failed to stop it. On Sept. 6, the NSG finally decided to allow a waiver for India, a non-NPT signatory, opening the door for its members to export nuclear fuel and technology to that country.

What is particularly troublesome is that the imports of nuclear fuel for civilian-sector nuclear power generation would make it possible for India to use home-grown natural uranium to produce nuclear weapons. An anti-waiver country predicted that the measure would increase India's capability to produce nuclear weapons from the current level of seven to 40 to 50 a year. The International Atomic Energy Agency (IAEA) Board of Governors approved in August India's nuclear inspection agreement with the nuclear watchdog. India is expected to agree to open only 14 out of 22 nuclear facilities to the IAEA.

Meanwhile, the NPT is calling for the efforts of the five nuclear powers (United States, Russia, Britain, France, and China) for nuclear disarmament. India has only announced the continuation of its moratorium on nuclear testing. The United States explained that India, the world's largest democracy, would join the mainstream of nuclear nonproliferation. It can be said that the NPT effectively confirmed the possession of nuclear weapons of India, a non-NPT state.

Japan's response was problematical, as well. Throughout the NSG negotiations, Japan exhibited an ambiguous attitude, with then Chief Cabinet Secretary Nobutaka Machimura saying, "We will judge it comprehensively." True, a shift from coal-fired power generation to atomic power generation can contribute to containing global warming, as was asserted by Japan. But that does not mean nuclear nonproliferation can wait on the sidelines.

India's credibility could be called into question, as well. The Institute for Science and International Security, a U.S.

private-sector think tank, has shed light on the Indian government's lax business practices that include its disclosing of the designs for uranium-enrichment centrifuges to bidders. The Institute has pointed out, "The management of nuclear data is unbelievably sloppy."

Such questions all concern the basic issue of nuclear nonproliferation. But which country should be the one to give candid advice to the world's sole superpower, the United States, which has made a clear distinction in its response between India, its ally, and Iran and North Korea, the "rogue states." That role should be played by Japan, whose national policy is to eliminate nuclear weapons. It is necessary to give advice even to the United States when the NPT regime is shaking.

The NPT regime, which is reviewed every five years, is at a crossroads. Now that the waiver for India has been adopted, the NPT review conference to be held in New York in 2010 is likely to fall into confusion.

At this juncture, Yukiya Amano, ambassador to the Permanent Mission of Japan to the International Organizations in Vienna, has decided to run to become the next IAEA secretary general (beginning in December 2009). I believe Japan's leadership and comprehensive ability in nuclear nonproliferation is now being tested.

(8) TOP HEADLINES

Asahi:

Aso instructs ruling parties to study raising consumption tax

Mainichi:

Government estimates consumption tax hike up to 15.5 PERCENT necessary

Yomiuri:

Maximum 94 trillion yen seen necessary for medical, care costs in fiscal 2025

Nikkei:

Japan, U.S., Europe to move to set up mechanisms for disposing of losses at financial institutions

Sankei: Tokyo Shimbun:

Woman sickened by Cup Noodle soup: Nisshin to recall 500,000 cups

Akahata:

Grand coalition between LDP and DPJ will destroy Constitution, says Chairperson Shii

(9) EDITORIALS

Asahi:

(1) ASEM heavily responsible for making effort to put end to financial crisis:

(2) Estimate for medical cost: Show road map to increased burden

Mainichi:

(1) Prime minister's night meetings: Self-awareness as public official questioned

(2) Estimate for medical, and care costs: Reform scenario without words

Yomiuri:

(1) Medical services, nursing care, pensions: We want to see deeper discussions

(2) Death of MSDF member during exercise: Correct bad habits and proclivity

Nikkei:

- (1) Take economic effects, instead of election into account, when mapping out additional economic stimulus package
- (2) Emergency medical service system that can give peace of mind needed

Sankei:

- (1) Hospitals refuse to accept pregnant woman: Improve emergency system
- (2) Easing market-value accounting system: Effort needed to secure transparency

Tokyo Shimbun:

- (1) Medical and nursing care cost: Improve the system to live up to increased burden
- (2) Drowning of inmate: Situation in prisons is still unknown

Akahata:

- (1) It has been 80 years since the Great Depression: Make most of the lessons learned from history

(10) Prime Minister's schedule, October 23

NIKKEI (Page 2) (Full)
October 24, 2008

07:31

Took a walk around his private residence in Kamiyama-cho.

11:02

Met at the Kantei with participants in the Ship for Southeast Asian Youth Program and others.

11:49

Met Foreign Ministry's Vice Minister Yabunaka, Deputy Foreign Minister Sasae, and Economic Affairs Bureau Director General Otabe. Yabunaka and Sasae stayed behind. Joined by Asian and Oceanian Affairs Bureau Director General Saiki.

13:46

Attended a garden party at the Imperial Garden.

15:25

Met Foreign Minister Nakasone and Finance Minister Nakagawa at the Kantei. Followed by LDP Tax Commission Chairman Tsushima.

16:10

Met Foreign Ministry's Sasae, Saiki, Vice Minister of Finance for International Affairs Shinohara, and METI Deputy Vice Minister Ishige, with Deputy Chief Cabinet Secretary Matsumoto present.

16:42

Met Toyama Governor Ishii.

17:32

TOKYO 00002978 013 OF 013

Met Japan Credit Rating Agency President Utsumi. Followed by LDP Policy Research Council Chairman Hori, New Komeito Policy Research Council Chairman Yamaguchi, Project Team on Global Financial Crisis Chairman Yanagisawa, Economic and Fiscal Policy Minister Yosano, and others.

20:23

Let Haneda Airport by a government plan for the ASEM summit.

Night

Arrived at the international airport in Beijing. Stayed at a hotel.

SCHIEFFER